

CMS Library  
C2-07-13  
7500 Security Blvd.  
Baltimore, Maryland 21244

## GOVERNMENT REFORM AND SAVINGS ACT OF 1993

NOVEMBER 15, 1993.—Ordered to be printed

Mr. MILLER of California, from the Committee on Natural Resources, submitted the following

### R E P O R T

together with

### ADDITIONAL VIEWS

[To accompany H.R. 3400 which on October 28, 1993, was referred jointly to the following committees for a period ending not later than November 15, 1993: Agriculture, Armed Services, Banking, Finance and Urban Affairs, Education and Labor, Energy and Commerce, Foreign Affairs, Government Operations, House Administration, the Judiciary, Merchant Marine and Fisheries, Natural Resources, Permanent Select Committee on Intelligence, Post Office and Civil Service, Public Works and Transportation, Science, Space, and Technology, Veterans' Affairs, and Ways and Means]

The Committee on Natural Resources, to whom was referred the bill (H.R. 3400) to provide a more effective, efficient, and responsive government, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 19, strike line 17 and all that follows down through line 21 on page 34 and insert the following:

### **Subtitle C—Power Marketing Administrations**

#### **SEC. 4201. POWER MARKETING ADMINISTRATIONS REFINANCING STUDY.**

The Administrators of the Southeastern, Southwestern and Western Area Power Administrations, in consultation

with their respective firm power contractors and other interested parties (including, where applicable, the Bureau of Reclamation), shall study refinancing options, including modifications to existing financial and accounting practices that may be required to effectively and efficiently issue and manage revenue bonds. Such refinancing options shall, for each of the power systems they administer, satisfy their respective repayment obligations to the United States Treasury without causing any increase in their respective firm power rates beyond the rates that would otherwise result under rate-setting policies and practices in effect on October 1, 1993. The results of such studies shall be submitted no later than May 1, 1994, to the Speaker of the House of Representatives and the President of the Senate. Such studies shall be made within the limits of existing funding, or, if necessary, with funds contributed by firm power contractors.

**SEC. 4202. BONNEVILLE POWER ADMINISTRATION REFINANCING STUDY.**

The Administrator of the Bonneville Power Administration, in consultation with his customers and constituents, shall study options, including an open market buyout, a Treasury buyout, or any other reasonable alternative that would lead to a permanent resolution of the repayment reform initiative directed at Bonneville's appropriation investment repayment obligation. Such refinancing options shall satisfy the outstanding appropriated investment repayment obligation, without increasing rates beyond the rates that would otherwise result under rate-setting policies and practices in effect on October 1, 1993. The result of this study shall be submitted to the Speaker of the House of Representatives and the President of the Senate no later than March 1, 1994.

Page 34, after line 21, insert the following new subtitle (and conform the table of contents accordingly):

## **Subtitle D—Termination of Advanced Liquid Metal Reactor Program**

**SEC. 4301. TERMINATION OF ADVANCED LIQUID METAL REACTOR PROGRAM.**

(a) **IN GENERAL.**—No amount of funds provided for any fiscal year may be obligated by the Secretary of Energy after the date of the enactment of this Act for the civilian portion of the advanced liquid metal reactor program, including—

(1) the program's promotion of the use of such reactors for the disposal of high-level radioactive waste; and

(2) Department of Energy support for regulatory applications to the Nuclear Regulatory Commission for design certification for advanced liquid metal reactors or related licensed facilities.

(b) **PROHIBITION OF OTHER USES.**—The amount of funds available on the date of the enactment of this Act for obligation for the program described in subsection (a) shall not be available for obligation by the Secretary of Energy after such date for any other purpose.

(c) **EXCEPTION.**—Subsections (a) and (b) shall not apply to obligations required to be incurred in terminating the program described in subsection (a).

Page 102, strike line 3 and all that follows through line 2 on page 104.

Page 104, line 3, strike “**Subtitle B**” and insert “**Subtitle A**”.

Page 104, line 20, strike “and (4)” and insert “(4) pilot projects under which a State may assume mineral receipt collections on Federal lands within the State and where the State assumes 50 percent of the cost of such pilot project; and (5)”.

Page 107, line 7, strike “**Subtitle C**” and insert “**Subtitle B**”.

Page 107, after line 20, insert the following:

## **Subtitle C—Reorganization of Bureau of Indian Affairs**

### **SEC. 7301. REORGANIZATION STUDY.**

(a) **GENERAL AUTHORITY.**—The Secretary of the Interior, with the active participation of Indian tribes, shall conduct a study of the reorganization of the Bureau of Indian Affairs.

(b) **CONTENT.**—The study conducted under subsection (a) shall include (but shall not be limited to)—

(1) an examination of the current structure of the Bureau of Indian Affairs and recommendations for structural changes to improve the implementation of Federal trust responsibilities toward Indian tribes;

(2) an examination of the current roles of the Central, Area, and Agency offices of the Bureau of Indian Affairs and recommendations to improve efficiency of the Bureau through reorganization;

(3) an examination of the efficiency of the Bureau of Indian Affairs in comparison with other Bureaus of the Department of the Interior;

(4) an examination of the barriers to the implementation of the 1988 amendments to the Indian Self-Determination and Education Assistance Act throughout the Department of the Interior and a proposed plan for effective implementation; and

(5) recommendations for the transfer of personnel and resources from the Central, Area, and Agency offices of the Bureau of Indian Affairs to Indian tribes.

(c) **REPORT.**—The Secretary shall complete the study conducted pursuant to this section and shall submit such study, together with recommendations and draft legislation to implement such recommendations, to the Congress within one year after the date of enactment of this Act.



Add the following at the end of Title VII:

## **Subtitle D—Termination of Annual Direct Grant Assistance**

### **SEC. 7401. TERMINATION OF ANNUAL DIRECT GRANT ASSISTANCE.**

(a) **TERMINATION.**—Pursuant to section 704(d) of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (48 U.S.C. 1681 note), the annual payments under section 702 of the Covenant shall terminate as of September 30, 1993.

(b) **REPEAL.**—Sections 3 and 4 of the Act of March 24, 1976 (Public Law 94-241; 48 U.S.C. 1681 note), as amended, are repealed, effective October 1, 1993.

Conform the table of contents accordingly.

### **PURPOSE**

The purpose of H.R. 3400 is to provide for a more effective, efficient, and responsive government.

### **BACKGROUND AND NEED**

On October 26, 1993, President Clinton transmitted to Congress H.R. 3400, the "Government Reform and Savings Act of 1993."

Composed of 16 separate titles, H.R. 3400 is the legislative result of a 6-month intensive study conducted by the National Performance Review (NPR), a task force headed by Vice President Gore. This task force was created in early 1993 to develop proposals and recommendations in order to assist each governmental agency with the development of policies that will provide for a more efficient workplace. In so doing, the NPR examined all the federal departments, agencies and programs to survey the budgeting, financial management and procurement abilities of each office. The result of this effort, H.R. 3400, is an attempt to streamline and consolidate agency operations, eliminate unnecessary or duplicative programs, terminate unneeded financial subsidies, and improve federal financial management and debt collection.

This legislation was referred to 16 standing House committees and one permanent select committee. Each Committee considered those titles which relate to issues within its jurisdiction for a period ending no later than November 15, 1993. On November 10, 1993, the Committee on Natural Resources considered the appropriate sections of the three titles of H.R. 3400 which fall within its jurisdiction.

### **TITLE I, DEPARTMENT OF AGRICULTURE**

#### *Subtitle A: Department of Agriculture Reorganization*

Title I, Subtitle A details various recommendations to streamline and improve the efficiency of the Department of Agriculture. This subtitle includes provisions which authorize the Secretary of Agri-

culture to reorganize the department to better accomplish its mission and improve its services, while saving an estimated \$1.64 billion in fiscal years 1995–1999.

The Natural Resources Committee reported Title I, Subtitle A, without amendment.

#### TITLE IV, DEPARTMENT OF ENERGY

##### *Subtitle A: Alaska Power Administration Sale Authorization Act*

The Alaska Power Administration (APA), a unit of the Department of Energy (DOE), is responsible for the operation, maintenance and power marketing for two Federal hydroelectric projects in Alaska: the 30,000 kW Eklutna Project which provides about five percent of the power for the Anchorage and Matanuska Valley areas; and the 78,210 kW Snettisham Project which is the source of eighty percent of the power for the city of Juneau. APA has 34 Federal employees.

The APA hydroelectric projects were authorized by Congress and constructed by the Federal government to promote economic and industrial development in Alaska. The Eklutna project has been operating since 1955 while the Snettisham project has been functioning since 1975. Until 1977, the APA was administered by the Department of the Interior. Interior's functions, however, were transferred to DOE by Section 202 of the Department of Energy Organization Act (Public Law 95–91).

Subject to an assessment of alternatives, this subtitle authorizes the Secretary of Energy to sell the Snettisham Hydroelectric Project to the State of Alaska and the Eklutna Hydroelectric Project to the Eklutna Purchasers (composed of the Anchorage Municipal Light and Power, the Chugach Electric Association, Inc. and the Matanuska Electric Association, Inc.).

DOE projects that the divestiture of the APA pursuant to the negotiated sales agreements will generate \$81.1 million in revenues for the Treasury. If the APA was retained in Federal ownership, however, DOE calculates that the net present value of revenues to the Treasury would be \$102.5 million, or \$21.4 million more than would be received if the APA were sold. The Committee is aware that the Federal taxpayers have made a substantial investment in the APA. For example, a 1986 study prepared by Coopers and Lybrand valued the APA assets at \$319.5 million when considering replacement cost new less depreciation.

The clear intent of this subtitle is for DOE to proceed cautiously on the APA divestiture. No Committee hearings have been held and some issues related to the proposed sale have not been fully examined. In particular, the Committee expects that GAO's concerns about the DOE's limitation on bidders and failure to receive fair market value in the negotiated agreements ("Views on the Sale of the Alaska Power Administration Hydropower Assets" (GAO/RECED–90–93)) will be carefully evaluated.

DOE's basic justification for the APA divestiture is that it will reduce Federal obligations by transferring a small, intrastate power program to state and utility organizations which are capable of handling the functions without further Federal involvement. The Committee believes this justification reflects circumstances unique



to Alaska and does not view the APA divestiture as a precedent for sale of power marketing administrations in other areas of the nation.

*Subtitle C: Power Marketing Administrations*

On October 28, 1993, the Committee's Bonneville Power Administration Task Force, Chaired by Representative Peter DeFazio, conducted a hearing on Part 1 of Subtitle C, Title IV of H.R. 3400 which is entitled the "Bonneville Power Administration Repayment Bonds Act." No hearing was held on Part 2 of Subtitle C, which is entitled the "Power Marketing Administrations Financing Act." As introduced, Subtitle C authorizes the Power Marketing Administrations (Bonneville, Southeastern, Southwestern and Western Area Power Administrations) to borrow funds on the private market in order to make a single payment to the U.S. Treasury that would discharge all Power Marketing Administration (PMA) obligations for appropriated Treasury debt.

For almost a decade there has been controversy regarding whether PMA appropriated debt constitutes a "subsidy", and if so, should the subsidy be continued. The Reagan and Bush Administrations repeatedly submitted to Congress "repayment reform" proposals that would have significantly increased PMA electric rates. No action was taken by the Congress on these proposals. In an attempt to resolve this issue and increase the long-term stability of PMA electric power rates, the Clinton Administration proposed Subtitle C.

On November 10, 1993, the full Natural Resources Committee voted to strike Subtitle C of the Administration bill in its entirety and insert a new Subtitle C authorizing studies of Power Marketing Administration Refinancing. Although the Committee strongly supports the goal of the Administration to stabilize PMA rates and resolve the repayment reform controversy, a variety of circumstances made it impracticable for the Committee to report any refinancing legislation prior to the end of the Committee's brief referral of H.R. 3400.

The language submitted by the Administration was technically deficient in a number of areas. For example, Sec. 4208, Part 2, Subtitle C, could be construed to bar in perpetuity the application of any fish and wildlife mitigation fee to any power sold by the Southeastern, Southwestern or Western Area Power Administrations. Sec. 4204, Part 1, Subtitle C may authorize Bonneville to shift costs currently borne by its full requirements customers to investor-owned utilities and generate public power utilities that purchase transmission services from Bonneville. Sec. 4202 appears to exempt the Bonneville refinancing from the National Environmental Policy Act and the Pacific Northwest Electric Power Planning and Conservation Act. Furthermore, it is the Committee's understanding that the Administration is currently reviewing a new draft of the Bonneville refinancing legislation, which attempts to address these problems and also includes about 20 other technical amendments.

The Committee was concerned by reports it received which indicated that it may not be possible to conduct a private refinancing of PMA appropriated debt without increasing PMA power rates.

This concern was confirmed by the Congressional Budget Office, which notified the Committee that it intended to score the PMA refinancing legislation in H.R. 3400 as a budget "cost" due to the higher transaction and interest costs from private borrowing than from the current Treasury borrowing system.

Furthermore, it is possible that the "one-size-fits-all" buyout bill proposed by the Administration will not be workable. Conducting a buyout for Bonneville, which is self-financing and legally responsible for funding fish and wildlife mitigation, is entirely different from conducting a buyout for Western, which is financed through appropriations and has no statutory responsibility for funding fish and wildlife mitigation.

Even refinancing legislation that is individually tailored to each PMA may not be feasible. The laws and policies regarding each major water and power project that produces PMA-marketed power differ substantially. Although Western markets power from both the California Central Valley Project (CVP) and the Colorado River Storage Project (CRSP), a policy that is appropriate for CRSP might not be appropriate for the CVP. If the Committee acts on refinancing legislation, it may be necessary to do so on a project-by-project basis.

Finally, key stakeholders such as public power utilities, investor-owned utilities, environmentalists and other interested parties were not consulted on either the policies contained in Subtitle C or the actual language submitted by the Administration. The Committee is particularly concerned that the Bureau of Reclamation, which owns and operates many of the dams which produce power marketed by the PMAs, did not have the opportunity to review Subtitle C prior to its submittal to Congress.

All of the above mentioned factors made it impracticable for the Committee to report PMA refinancing legislation prior to November 15, 1993, when the Committee's referral of H.R. 3400 expires. Nevertheless, the Committee continues to be strongly committed to resolving the repayment reform controversy in a manner that will not lead to any increase in PMA electric rates.

#### *Subtitle D: Termination of Advanced Liquid Metal Reactor Program*

The Committee adopted by voice vote an amendment adding Subtitle D, Termination of the Advanced Liquid Metal Reactor Program, to Title IV. This provision deauthorizes funding for the Advanced Liquid Metal Reactor Program, which the House in June voted 272-143 to eliminate from the Energy and Water Appropriations Bill, but which was fully restored in conference.

Subtitle D is very similar to H.R. 2365, introduced by Representative Coppersmith, which was referred to the Committee on Natural Resources, among others. Its intent is to deauthorize the ALMR project.

The Department of Energy (DOE) supports the development of an Advanced Liquid Metal Reactor (ALMR) concept called the Integral Fast Reactor (IFR). Supporters of ALMRs contend that this technology could help to dispose of high-level radioactive wastes from nuclear power plants by recycling part of those wastes as fuel. ALMR opponents contend that the technology is too expensive, of-



fers no significant waste management benefits, is environmentally dangerous, and presents a plutonium proliferation threat.

The ALMR program received \$133 million in funding in FY 1993. The Clinton Administration originally recommended terminating this program in FY 1994. Following appeals from supporters of the program, the Administration reversed itself and eventually proposed \$21.9 million for a scaled-down version of the program.

On June 24, 1993, the House voted 272-146 to terminate the program as part of its consideration of the Energy and Water Development Appropriations bill for fiscal year 1994. However, the Appropriations Conference Committee provided \$142 million for operation of this program in FY 1994, the level of funding that had narrowly passed the Senate.

DOE is developing six different kinds of advanced nuclear reactors: four advanced Light Water Reactors (LWR); one Modular High-temperature Gas-cooled Reactor; and one ALMR. Altogether, DOE spent \$223 million on these reactors in FY 1993—almost two-thirds of which went to ALMR. Yet, private industry believes that any nuclear revival in this country would depend upon the success of advanced LWRs and pays for half of the costs of the DOE LWR program.

Current U.S. nuclear power plants are all LWRs that use enriched uranium as a fuel, water as a coolant and moderator, and a "once-through" fuel cycle. Resulting high-level radioactive waste would be disposed of in a geologic repository.

The ALMR is a fast neutron reactor that would rely mainly on plutonium as fuel, use sodium as a coolant, and reprocess its spent fuel before disposal. Reprocessing could remove plutonium and other actinides from the spent fuel for refabrication into fresh fuel rods. Remaining spent fuel wastes (fission products) would still have to be disposed of in a geologic repository.

An additional characteristic of fast neutron reactors is that a blanket of non-fissionable uranium can be placed in the reactor core and converted into fissionable plutonium through neutron bombardment. This process is called "breeding" because it produces more fissionable material than it consumes. Although there has been a dispute about the breeder capability of the ALMR/IFR concept, Argonne National Laboratory in its annual report for 1992-93 stated quite simply that "(b)ecause the IFR can be operated as a breeder reactor, it can produce more fuel than it consumes."

Because of their potential use as plutonium breeders, ALMRs were originally proposed for development in the 1940's as a military production technology. Since then, there has been a long history of funding of ALMRs by the federal government including the Experimental Breeder Reactor I (EBR-I) in Idaho, Fermi 1 in Michigan, and the proposed Clinch River Breeder Reactor in Tennessee, which Congress ceased funding in 1983.

The ALMR concept currently being developed by DOE at Argonne National Laboratory has a redesigned reactor and a new reprocessing technology called pyroprocessing. Supporters believe that Argonne's version of ALMR, known as the IFR, could be safer and more cost-effective than previous ALMR systems. Also, supporters have recently given greater emphasis to the possible use of



the ALMR as a waste disposal technology than to its potential use as a breeder.

Spent fuel from nuclear power plants generate two kinds of highly radioactive wastes—actinides and fission products. Actinides are elements with an atomic number of 89 or higher and include uranium and plutonium. Fission products are the result of splitting fissionable atoms and are not capable of being split further to release energy.

It is possible to separate actinides from fission products through reprocessing (also known as "partitioning") and to refabricate them into fresh fuel for an ALMR. As the actinides are used as fuel in an ALMR, part of them will be transmuted into fission products. These fission products are then disposed of in a repository following further reprocessing. This process is sometime called "actinide recycling."

Supporters contend that actinide recycling can make significant environmental contributions to a repository program. According to this view, elimination of long-lived actinides would improve the chances of licensing the first repository by making it easier to show that the repository would safely contain waste for a sufficient period of time. In addition, this view holds that actinide recycling could indefinitely postpone the need for a second repository by reducing the volume of wastes or the amount of heat generated by those wastes.

However, the use of actinide recycling has been disputed by independent experts, environmentalists, arms control groups, and taxpayer organizations. In fact, a recent comprehensive study of the issue headed by a team of scientists from Lawrence Livermore National Laboratory concluded that partitioning and separation technologies such as actinide recycling are neither environmentally advantageous nor cost-effective.

Proponents of the ALMR for waste disposal claim that removing long-lived actinides from waste to be disposed of would simplify licensing of a repository. However, most studies of environmental risk from a repository, such as the Lawrence Livermore assessment, show long-term environmental risk to be dominated by long-lived, water soluble fission products such as technetium-99 and iodine-129—not actinides.

Supporters of actinide recycling contend that the process could extend the capacity of the repository by reducing the volume of wastes or the amount of heat generated by that waste, perhaps postponing the need for a second repository. Critics argue that a reduction in the volume of waste through the recycling of actinides would do little to expand the capacity of the repository since high-level waste is not very voluminous to begin with. Furthermore, the current constraint on disposal at the repository is not one of a physical space but is rather a legal limit on the total mass of spent fuel that would be allowed.

ALMR proponents also argue that actinide recycling would have heat generation benefits for a repository, by removing long-lived, heat-producing actinides. However, it has not yet been determined what thermal loading strategy is most desirable in a repository. Consequently, it is impossible to conclude at this time that reducing heat generation is helpful to waste isolation.

In order to make a total ALMR system for actinide recycling ready for waste disposal, 3-5 more years of laboratory engineering, the construction and demonstration of a large-scale prototype, and the licensing of construction of numerous commercial facilities would be required. Under the most optimistic scenario, this schedule is not likely to be complete for about 20 years. Critics contend that commercial development in that time-frame will be too late to reshape the repository program.

Furthermore, even once it is operating, an ALMR actinide recycling system has a limited rate at which it can transmute actinides into fission products beyond the actinides that it produces in its own wastes. The Lawrence Livermore report estimates that a period of about 1,000 years would be required to significantly transmute the actinides contained in the spent fuel projected to be generated by currently operating nuclear power plants, and that such a scheme, with all the necessary facilities, would almost quadruple the cost of the repository program.

*Subtitle VII, Department of the Interior Original Subtitle A: Improve the Federal Helium Program*

The Committee adopted by voice vote an amendment to delete Subtitle A of Title VII (sections 7001 and 7002), regarding improvements to the federal helium program. Subtitle A would have directed the Secretary of the Interior to improve the federal helium program by increasing operational efficiency, charging fees that correspond to government costs for handling privately-owned helium, and selling helium at prices comparable to helium sold by private industry without undue disruption to private markets. Subtitle A also would have required the Secretary of the Interior to develop a long-term plan within 4 months of enactment to (1) cancel the outstanding debt, and (2) improve Federal helium program operations over a multi-year period. The President may adopt the plan in whole or in part, and is authorized to cancel the outstanding debt upon a finding that it is in the national interest.

The Committee concurs that reform of the helium program is needed. However, the private helium industry objected vehemently to the provisions in H.R. 3400, contending that such stipulations would have glutted the helium market with low-cost federal helium. Given the complexity of the issues and the short time frame the Committee was given for considering H.R. 3400, the Committee agreed to delete these provisions from the bill and consider the issue separately early next year.

*Original Subtitle B—Minerals Management Service Royalty Collection*

The Committee accepted by voice vote an amendment to section 7101(a) which would direct the MMS Royalty Management Program to implement pilot projects under which a state may assume mineral receipt collections on federal lands within the state, where the state assumes 50 percent of the cost of such pilot project.

*New Subtitle C: Reorganization of Bureau of Indian Affairs*

The Committee adopted an amendment which requires the Secretary of the Interior, with the active participation of Indian



Tribes, to conduct a study on the reorganization of the Bureau of Indian Affairs (BIA). This study shall include an examination of the current structure of the Bureau, emphasizing the role of the Area Offices, as well as a thorough delineation of duties of the twelve Area Offices. The efficiency of the Area Offices in such duties as placing land into trust status, approving tribal laws and providing technical assistance to tribes should be emphasized. The efficiency of the BIA as a whole should be scrutinized under the study. The report should also include recommendations for administrative and legislative actions necessary to improve efficiency.

The amendment requests an evaluation of the performance of the BIA in comparison with the Bureau of Reclamation, the Bureau of Land Management, the Bureau of Mines as well as the U.S. Fish and Wildlife Service, the National Park Service, the National Park Service and other entities within the Department of the Interior. The Secretary is in a unique position to evaluate the performance of the BIA in comparison to the other offices under his jurisdiction. This comparison should include the scope of the mission of each agency of the Department and how the range of duties compares with those at the BIA. Recommendations for improving the BIA based on improvements made to other offices in the Department should be included in the study.

The amendment requests an examination of the barriers in implementing the 1988 amendments to the Indian Self-Determination and Education Assistance Act. As of the date of this Report, the Department has not promulgated regulations to implement the 1988 amendments in spite of several drafts and years of meeting with tribes. The intent of the Congress is clearly not being carried out. The Committee understands that part of the difficulty is because the 1988 amendments required offices within the Department which are outside of the BIA to contract with Indian tribes however, the other Bureaus and Offices are reluctant to do so. The Committee is seeking recommendations from the Department on how to ensure that these amendments are implemented in an expeditious manner. Also included in the 1988 amendments was the Self-Governance Demonstration Project. Thirty tribes are now participating in this Project. The Committee seeks information as to how this Project has reduced staff at the Department and passed that funding to Indian tribes. The Committee has received reports indicating that the BIA has in fact increased in personnel since the inception of Self-Governance which is precisely the opposite of Congressional intent.

The Committee has the long range goal of transferring personnel and resources from the Federal government to the Indian tribes. The amendment requests recommendations on how this goal of tribal Self-Determination can be best achieved.

The Committee has required that the Secretary complete this report within one year from enactment. Additionally, the Committee requires that the Indian tribes should be active participants in the writing of the report. If the Secretary chooses to use the existing apparatus of the Task Force on BIA Reorganization, the Committee would be supportive. However, the Secretary may use his description to choose some other method in writing the report. The Com-

mittee has held two hearings on BIA Reorganization and seeks closure on this process.

The plan submitted pursuant to this Subtitle should provide recommendations and draft legislation which will reorganize the BIA so that it will be viewed as an agency which advances, supports and protects Indian tribes into the next century.

*New Subtitle D: Termination of Annual Direct Grant Assistance*

The Committee adopted by voice vote an amendment offered by Mr. Gallegly to repeal the annual grant assistance provided the Commonwealth of the Northern Mariana Islands (CNMI) in P.L. 99-396. The amendment is identical to H.R. 1622, introduced this session by Mr. Gallegly.

Section 702 of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, Public Law 94-241, provided the CNMI with \$192.5 million on a guaranteed basis for an initial period which was to last between fiscal years 1978 and 1985. The purpose of the multi-year financial assistance was to progressively raise the standard of living in the CNMI, and assist the CNMI in meeting its financial responsibilities for local self government. Subsequently, the Congress adopted Public Law 99-396 authorizing an additional \$228 million for fiscal years 1985-1992. After FY 1992, monies to the CNMI were to continue at the Fiscal Year 1992 level of \$27.7 million until Congress provided otherwise by law. The Congress has provided the CNMI approximately \$448 million in the past 15 years in direct grant assistance.

On March 18, 1993, the Subcommittee on Insular and International Affairs held a hearing to examine future financial assistance for the CNMI. During consideration of H.R. 2264, the Omnibus Budget Reconciliation Act of 1993, the Committee adopted, and the full House accepted, an amendment to limit financial assistance to the CNMI. The amendment, however, was dropped in conference.

The Committee believes that the \$448.2 million provided the CNMI (on top of additional assistance generally provided all U.S. insular areas) has satisfied the U.S. pledge to improve the standard of living of the CNMI. The primary responsibility for meeting infrastructure needs now belongs to the CNMI government.

The Committee also recognizes that the Covenant enables the CNMI to use the Federal tax code as a local income tax. However, the CNMI has imposed a tax rebate system enabling CNMI taxpayers to rebate Federal rate collections on local source income and other taxes. The system has rebated more than \$176 million since 1985, including nearly \$50 million in 1991, to CNMI taxpayers. The bulk of the rebates go to higher wage earners, as well as investors and businesses. The highest effective tax burden is borne by low income earners in the CNMI. In addition, the CNMI is losing millions of dollars every year because of loopholes in the system that enable foreign investors to repatriate profits without paying taxes. While the Committee recognizes the CNMI's right to establish its own income tax system, the Committee feels no obligation to maintain the direct grant subsidy so that CNMI taxpayers may enjoy lower taxes at the expense of mainland taxpayers.



## SECTION-BY-SECTION ANALYSIS

## TITLE I, SUBTITLE A: DEPARTMENT OF AGRICULTURE REORGANIZATION

Section 1001 directs the Secretary of Agriculture to restructure the Department of Agriculture by taking such measures as reducing the number of agencies, decreasing headquarters and administrative staff levels, and closing or consolidating unnecessary field offices. Such actions must reduce the Department's staffing levels by not less than 7,500 staff years and save not less than \$1.64 billion in fiscal years 1995-1999.

TITLE IV, SUBTITLE A: ALASKA POWER ADMINISTRATION SALE  
AUTHORIZATION ACT

Section 4001 cites the short title of subtitle A as the "Alaska Power Administration Sale Authorization Act".

Sections 4002(a) and (b) authorize the Secretary of Energy, subject to the review of alternatives required by Section 4003, to sell the Snettisham Hydroelectric Project to the State of Alaska and the Eklutna Hydroelectric Project to the Eklutna Purchasers (composed of the Anchorage Municipal Light and Power, the Chugach Electric Association, Inc. and the Matanuska Electric Association, Inc.). If the process as set forth in Section 4003 does not develop viable alternatives which would increase Federal revenues, the sales are authorized to be in accordance with the terms of the February 10, 1989 Snettisham Purchase agreement and the August 2, 1989 Eklutna Purchase Agreement. These agreements and background on the APA divestiture proposal are published in a April 1992 "Divestiture Summary Report" which was prepared by DOE and submitted to Congress by the prior Administration.

Section 4002(c) requires the Department of the Interior and other affected Federal departments and agencies to assist in the sale of the APA. Section 4002(d) requires all sale proceeds to be deposited in the U.S. Treasury. Section 4002(e) authorizes necessary expenditures to prepare the APA's assets for sale. Section 4002(f) requires the Secretary of Energy to complete any unfinished APA business and to prepare a report to Congress on the sales.

Section 4003 requires that, before taking any action authorized in Section 4002, the Secretary of Energy is required to assess alternative options for maximizing the return to the Treasury from the sale of the APA.

*New Subtitle C: Power Marketing Administrations*

Section 4201 directs the Administrators of the Southeastern, Southwestern and Western Area Power Administrations to conduct by May 1, 1994 studies of buyouts of their repayment obligations that will not cause any increase in firm power rates beyond those which would result under current rate policies.

Sec. 4202 directs the Administrator of the Bonneville Power Administration to conduct a study of various buyout options that will not cause any increase in firm power rates beyond those that would result under current rate policies. Recognizing that over the last two years Bonneville has already prepared studies and analyses of refinancing options in cooperation with its customers and other parties, the bill directs Bonneville to incorporate updated informa-

tion as well as any additional viable alternatives, and deliver the updated study to Congress by March 1, 1994.

*Subtitle D: Termination of Advanced Liquid Metal Reactor Program*

Section 4301(a) provides that no amount of funds provided for in any fiscal year may be obligated by the Secretary of Energy for the civilian portion of the advanced liquid metal reactor (ALMR) program, including use of such reactors for the disposal of high-level radioactive waste, and DOE support for regulatory applications to the Nuclear Regulatory Commission for design certification for such reactors. Subsection (b) forbids obligation of previously appropriated ALMR funds for any other purpose.

Subsection (c) authorizes funds required to terminate the program. It is the Committee's intent that the funds obligated for termination of the program should not exceed \$97 million, which is the Department's estimate of the costs of termination.

TITLE IV, NEW SUBTITLE A: IMPROVE MINERALS MANAGEMENT  
SERVICE ROYALTY COLLECTION

Section 7101(a) directs the Mineral Management Service (MMS) to improve its management of the Department of the Interior's royalty collection program. MMS must develop and implement (1) an automated business information system providing auditors with a complete history on all leases; (2) methods to ensure that royalties are paid correctly; (3) new compliance and enforcement measures, including penalties for substantial Underreporting; and (4) pilot projects under which a State may assume mineral receipt collections on Federal lands within the state, where the state assumes 50 percent of the cost of such pilot project.

Section 7101(b) amends the Federal Oil and Gas Royalty Management Act of 1982 (Public Law 97-451, 30 U.S.C. 1701 et seq.) by adding a new subsection 111(h), "Penalty Assessment for Substantial Underreporting of Royalty." New subsection 111(h) authorizes the Secretary to assess penalties of 10 percent for underreporting of royalty owed and 20 percent for substantial underreporting of royalty owed. "Substantial underreporting" is defined as a difference between the value of production that should have been reported and the value which was reported of greater than 10 percent. Provisions for a waiver of the penalties exist for certain circumstances.

*New Subtitle B: Phase Out the Mineral Institute Program*

Section 7201 directs the Secretary, beginning in fiscal year 1995, to take action to phase out the Mining and Mineral Resources Research Institute Act of 1984, Public Law 98-409, as amended. No appropriations for this Act are authorized beyond September 30, 1998.

*New Subtitle C: Reorganization of Bureau of Indian Affairs*

Section 7301 authorizes that the Secretary of the Interior, in conjunction with active participants of Indian Tribes, conduct a study of the reorganization of the BIA. This section outlines the content of the report and mandates that the study shall be completed and



recommendations including draft legislation shall be sent to Congress within one year after the enactment of this Act.

*New Subtitle D: Termination of Annual Direct Grant Assistance*

Section 7401 terminates and repeals the annual grant assistance of \$27,720,000 for the Commonwealth of the Northern Mariana Islands authorized in Public Law 94-241 and Public Law 99-396.

LEGISLATIVE HISTORY AND COMMITTEE RECOMMENDATION

On October 28, 1993, Representative Gephardt introduced H.R. 3400, the Government Reform and Savings Act of 1993. On November 10, 1993, the Committee on Natural Resources considered and marked-up the text of titles I, IV, and VII of the legislation. The Committee ordered the text to be favorably reported, as amended, to the House.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

ACT OF MARCH 24, 1976

JOINT RESOLUTION To approve the "Covenant To Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America", and for other purposes

\* \* \* \* \*

[SEC. 3. Pursuant to section 701 of the foregoing Covenant, enactment of this section shall constitute a commitment and pledge of the full faith and credit of the United States for the payment of \$228 million at guaranteed annual amounts of direct grant assistance for the Government of the Northern Mariana Islands for an additional period of seven fiscal years after the expiration of the initial seven-year period specified in section 702 of said Covenant, which assistance shall be provided according to the schedule of payments contained in the Agreement of the Special Representatives on Future United States Financial Assistance for the Government of the Northern Mariana Islands, executed July 10, 1985, between the special representative of the President of the United States and the special representatives of the Governor of the Northern Mariana Islands. The island of Rota and Tinian shall each receive no less than a  $\frac{1}{8}$  share and the island of Saipan shall receive no less than a  $\frac{1}{4}$  share of annualized capital improvement project funds, which shall be no less than 80 per centum of the capital development funds identified in the schedule of payments in paragraph 2 of part II of the Agreement of the Special Representative. Funds shall be granted according to such regulations as are applicable to such grants.

[SEC. 4. (a) Section 704(c) of the foregoing Covenant shall not apply to the Federal financial assistance which is provided to the Government of the Northern Mariana Islands pursuant to section 3 of this Act.

[(b) Upon the expiration of the period of Federal financial assistance which is provided to the Government of the Northern Mariana Islands pursuant to section 3 of this Act, payments of direct grant assistance shall continue at the annual level provided for the last fiscal year of the additional period of seven fiscal years until Congress otherwise provides by law.]

\* \* \* \* \*

#### OVERSIGHT STATEMENT

The Committee on Natural Resources will have continuing responsibility for oversight of the implementation of H.R. 3400 after enactment. No reports or recommendations were received pursuant to rule X, clause 2 of the Rules of the House of Representatives.

#### INFLATIONARY IMPACT, COST AND BUDGET ACT COMPLIANCE

Pursuant to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the Committee finds that enactment of this measure would have no inflationary impact on the national economy, would not significantly increase Federal outlays over the next five years, and will result in a reduction in direct spending. The Committee agreed to the Administration proposal providing for the sale of the Alaska Power Administration despite the fact that the Congressional Budget Office preliminarily estimates that such sale will result in a cost to the Federal Treasury of \$44 million for FY 94-98. In order to cover the costs of the Alaska Power Administration provisions, the Committee agreed to (i) an amendment providing for the termination of grant assistance to the Commonwealth of the Northern Mariana Islands, and (ii) an amendment providing for the termination of the Advanced Liquid Metal Reactor program. CBO preliminarily estimates that termination of the grant assistance will result in a savings of \$138.5 million from FY 94-98, and termination of the ALMR program will result in savings of \$360 million from FY 94-98. In addition, the Committee agreed to delete several provisions that would have produced a cost of the Federal Treasury including deletion of (i) Subtitle C of Title IV (Power Marketing Administration), the budget cost for which was preliminarily estimated by CBO to be \$155 million from FY 94-98; and (ii) Subtitle A of Title VII (helium program), the budget cost for which was preliminarily estimated by CBO to be \$8 million for FY 94-98.



## ADDITIONAL VIEWS

### TITLE IV, SUBTITLE C—POWER MARKETING ADMINISTRATION

While the Clinton Administration's "Bonneville Power Administration Repayment Bonds Act" is well-intentioned, the proposal clearly needs additional review before it is approved by Congress.

It is perplexing that the Administration's proposal unraveled only days after the Assistant Secretary of Energy testified before the BPA Task Force that the debt buyout was a "classic case of government reform" and a "win-win situation". He also testified that the Administration had "not detected any substantial disadvantages" of a debt buyout. While these comments may be true in the long-run, they certainly do not apply to the Administration's proposal.

Although both the Reagan and Bush Administrations repeatedly submitted repayment reform proposals to Congress, it is important to note that the Clinton Administration also submitted a repayment acceleration proposal in their FY 1994 budget.

While I am anxious to resolve the repayment reform controversy, I believe the amendment adopted in Full Committee to further analyze repayment options was extremely prudent.

ROBERT F. SMITH.

















CMS Library  
C2-07-13  
7500 Security Blvd.  
Baltimore, Maryland 21244

CMS LIBRARY



3 8095 00010073 1